

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE TARIFF FILING OF AUXIER ROAD GAS)	
COMPANY TO ESTABLISH A DISTRIBUTION)	CASE NO. 95-511
TRANSPORTATION TARIFF)	

O R D E R

On November 29, 1995, Auxier Road Gas Company ("Auxier") filed a motion requesting the Commission modify its Order of November 20, 1995 suspending Auxier's proposed transportation rate to serve Sigma Gas Company, Inc. In support of its motion Auxier argues that it is prevented from collecting any rate for transportation service to Sigma Gas Company ("Sigma") without violating KRS 278.030, KRS 278.160 and KRS 278.170 until its tariff is approved.

Auxier requests the Commission allow its rate to become effective within the suspension period subject to refunds when a final rate is approved. Auxier represents its operations will be affected if it honors its commitment to transport gas to Sigma, and, further that Sigma's operations will be impaired if Auxier is prevented from transporting gas.

After consideration of Auxier's motion and being otherwise sufficiently advised, the Commission finds that Auxier's motion should be denied. The relief requested by Auxier is rarely granted by the Commission and is done so only upon a showing of the most compelling reasons.

Although Auxier alleges its operations will be affected if the relief is not granted, Auxier's situation is no different than any utility who files a tariff for approval and wants to provide immediately the proposed service at the proposed rates. Further, Commission records reflect that Auxier was advised on May 31, 1995, that a transportation tariff containing a rate and conditions for service would have to be approved prior to implementing transportation service to Sigma. For whatever reason, Auxier's tariff was not filed with the Commission until October 20, 1995.

Although Auxier's motion to place the proposed rate into effect subject to refund is denied herein, the Commission will set the matter for hearing as soon as its schedule permits. To expedite the process, Auxier should respond to the requests for information in the Appendix to this Order as soon as possible, but no later than January 15, 1996.

IT IS THEREFORE ORDERED that:

1. Auxier's motion is denied.
2. Auxier shall file the information requested in the Appendix to this Order no later than January 15, 1996.
3. Auxier shall prefile a summary of its expected witness's testimony no later than January 26, 1996.
4. Auxier shall appear at a hearing scheduled February 12, 1996, at 10:00 a.m., Eastern Standard Time, in Hearing Room 1 of

the Commission's offices at 730 Schenkel Lane, Frankfort, Kentucky,
to support its proposed transportation charge.

Done at Frankfort, Kentucky, this 20th day of December, 1995.

PUBLIC SERVICE COMMISSION

Lynda K. Brentnutt
Chairman

Vice Chairman

Robert M. Davis
Commissioner

ATTEST:

Don Hill
Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 95-511 DATED DECEMBER 20, 1995.

1. Provide the names of the individuals who prepared Tables I, II, and III attached to the proposed tariff.

2. Refer to TABLE III of the information filed in support of Auxier's proposed tariff.

a. Explain why it is appropriate to allocate the costs identified on the basis of total Mcfs delivered to the system.

b. Is it Auxier's position that these costs will increase by \$63,318 as a result of providing transportation services to Sigma?

c. If yes, provide specific information for each expense account as to how the costs will increase by the stated amount. Include any quotes or other documentation supporting items such as property insurance, outside services, rents, transportation, etc.

d. If no, explain why it is appropriate to bill Sigma for \$63,318 in operating costs which are currently being paid by the existing Auxier customers.

3. Refer to Table I.

a. Provide the installation date and the installed cost of the 8 miles of transportation line referred to in Footnote No. 2.

b. Explain the purpose of the 8 miles of transportation line at the time it was installed.

c. Provide the annual depreciation accrual on this line.

d. If any of the line was installed to serve Sigma, provide the date of the installation of that portion of the line, the actual footage installed, the installed cost and the accumulated depreciation through September 30, 1995.

e. Provide a reference to the Commission proceeding wherein the construction of the 8 miles of line was approved.

f. Provide a map of Auxier's gas system showing the 8 miles of transportation line and identifying the portion of line built solely to serve Sigma. Indicate on the map the location of the meter(s) used to serve Sigma.

4. Provide a list of the actual costs Auxier has incurred through September 30, 1995 in order to be prepared to provide transportation service to Sigma. Provide supporting documentation for each expense incurred.

5. Provide the following:

a. A projected rate of return on rate base for the 12 months ended December 31, 1994, or the most recent 12 month period available, including the revenues to be generated by Auxier from the proposed transportation rates. Include all supporting documentation for the projected income, rate base and return.

b. An explanation of why the projected rate of return is reasonable in comparison to Auxier's last allowed rate of return.

c. If the projected rate of return exceeds the last allowed rate of return, explain Auxier's position as to what rates it might seek to adjust to correct for any overearnings.

6. Is Auxier proposing to adjust all of its existing rates to reflect the cost of service methodology employed in the tables supporting its proposed tariff? Explain.

7. Each of the 3 Tables attached to the proposed tariff contains an item labeled "Additional Expense for Adm & Gen." and "Return on Investment." Does Auxier consider these two items to be the incremental costs of providing transportation service to Sigma? If yes, explain why this cost would be in addition to the allocated costs listed above. If no, explain why these costs have been included in the rate determination.

8. If the incremental cost of providing transportation service to Sigma is 10 cents, explain why that should not be the rate Auxier charges Sigma for this service.

9. Provide a copy of the contract between Auxier and Sigma for transportation services.

10. Specifically identify and support each costs included in the "additional expense factor" referred to in Footnote No. 3 of TABLE 1 of the information filed in support of Auxier's proposed tariff.

11. Refer to Footnote No. 4 of TABLE 1 of the information filed in support of Auxier's proposed tariff. Provide the workpapers, calculations and details of any assumptions used in deriving the \$0.05 per Mcf Return on Investment. Include with this

response details of the assets which constitute the investment made by Auxier in order to provide this service. Provide a description of each asset, the date installed, the installed cost and the accumulated depreciation as of September 30, 1995.

12. Does the agreement between Auxier and Sigma specify who is responsible for costs associated with line loss. Explain how any line loss recovery is factored into the rates.

13. How often will Auxier be required to read the Sigma meter and at what cost? Fully support your answer with the following information: the mileage from the next nearest Auxier meter to the Sigma meter; the time required to read the meter; the cost to bill Sigma; the hourly wage or weekly salary of the meter reader; the average weekly hours worked by the meter reader over the last year; any transportation charge for accessing the meter.

14. For each expense identified in the tables attached to the proposed tariff, provide the basis for the allocation and justify the level of allocation made.

15. With regard to the actual costs of Auxier listed on Tables I, II, and III, explain how these costs are currently being recovered.

16. With regard to Auxier's 1994 Annual Report on file with the Commission provide the following information:

a. A breakdown of the accounts payable outstanding in the amount of \$37,579.00.

b. A description of the \$29,224 in plant additions.

c. An explanation of why there are no transmission expenses included in the income statement in light of the fact that Auxier maintains 8 miles of transmission lines.

d. The invoice(s) associated with the \$4,666.00 in property insurance.

e. A breakdown of the \$4,097 in miscellaneous general expenses.

f. A breakdown of the \$9,490 in rents. Include a copy of the invoice for office rent.

g. An explanation of why the natural gas sales exceed natural gas purchases by 3,359 Mcf.

h. An explanation of the gain on the sale of an asset in the amount of \$5,000 including a description of the asset(s) sold, the date installed, the original cost, accumulated depreciation, the date removed and the determination of the gain on the sales.